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**CITY OF SANTAQUIN, UTAH  
INDEPENDENT AUDITORS' REPORT  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2005**

**CITY OF SANTAQUIN, UTAH  
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LARSON & PETERSON  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 30, 2005

Honorable Mayor  
Members of the City Council  
City of Santaquin, Utah

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santaquin, as of and for the year ended June 30, 2005, which collectively comprise the City of Santaquin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Santaquin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santaquin, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages MDA-1 through MDA-6 and the supplement for the Modified Approach for Infrastructure Reporting on pages 35 through 36 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2005, on our consideration of the City of Santaquin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santaquin's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Larson & Company  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Santaquin City, we offer readers of the Santaquin City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. It is designed to provide an overview of the City's financial activity. It is also intended to assist the reader in focusing on significant financial issues, including identifying changes in the City's financial position (its ability to address the next and subsequent years' challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Because the City is implementing new reporting standards for this fiscal year, with significant changes in content and structure, the information looks different than prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### **FINANCIAL HIGHLIGHTS**

The total net assets of Santaquin City increased by \$1,300,291 to \$17,707,022. The governmental net assets increased by \$299,109 and the business-type net assets increased by \$1,001,182.

The total net assets of \$17,707,022 are made up of \$14,085,829 in capital assets net of related debt and \$3,621,193 in other net assets.

The General Fund (the primary operating fund) had an increase in its fund balance of \$95,529.

### **REPORTING THE CITY AS A WHOLE**

The discussion and analysis is intended to serve as an introduction to Santaquin City's basic financial statements. Santaquin City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information, in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Santaquin City's finances, in a manner similar to the financial statements of a private-sector business.

The statement of net assets presents information on all of Santaquin City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Santaquin City is improving or deteriorating. However, other non-financial factors need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless

of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Santaquin City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Santaquin City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The other governmental funds are determined to be non-major and are included in the combining statements within this report.

**Proprietary funds** - Santaquin City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Santaquin City uses enterprise funds to account for its Water Utility, Sewer Utility and Gas Utility. As determined by generally-accepted accounting principles all Santaquin City's enterprise funds meet the criteria for major fund classification.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Santaquin City, assets exceed liabilities by \$17,707,022.

By far the largest portion of Santaquin City's net assets (\$14,085,829) reflects its investment in capital assets (e.g., land, buildings, and machinery and equipment), less any related debt used to

acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables are summaries of the net assets and changes in net assets of Santaquin City:

**Net Assets**  
**June 30, 2005 and 2004**

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 833,666	\$ 1,110,885	\$ 1,417,384	\$ 2,530,300	\$ 2,251,050	\$ 3,641,185
Capital assets	8,913,440	8,892,861	9,934,543	9,349,270	18,847,983	18,242,131
Total assets	9,747,106	10,003,746	11,351,927	11,879,570	21,099,033	21,883,316
Other liabilities	223,147	302,243	82,917	90,773	306,064	393,016
Long-term liabilities outstanding	1,112,582	991,017	3,309,178	2,792,261	4,421,760	3,783,278
Total liabilities	1,335,729	1,293,260	3,392,095	2,883,034	4,727,824	4,176,294
Net assets:						
Invested in capital assets, net						
of related debt	7,800,858	7,901,844	6,192,538	6,183,985	13,993,396	14,085,829
Restricted	559,320	689,361	1,194,231	817,732	1,753,551	1,507,093
Unrestricted	51,199	119,281	608,585	1,994,819	659,784	2,114,100
Total net assets	\$ 8,411,377	\$ 8,710,486	\$ 7,995,354	\$ 8,996,536	\$ 16,406,731	\$ 17,707,022

**Changes in Net Assets**  
**June 30, 2005 and 2004**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 972,870	\$ 1,152,288	\$ 1,681,629	\$ 1,099,241	\$ 2,654,499	\$ 2,251,529
Operating grants and contributions	312,779	298,622	-	-	312,779	298,622
Capital grants and contributions	154,800	166,294	496,892	1,151,392	651,692	1,317,686
<b>General revenues:</b>						
Property taxes	933,451	1,043,549	-	-	933,451	1,043,549
Other taxes	7,264	18,733	18,866	39,779	26,130	58,512
Unrestricted investment earnings	143,384	125,667	-	130,626	143,384	256,293
Gain on sale of fixed assets	-	-	-	106,858	-	106,858
<b>Total revenues</b>	<b>2,524,548</b>	<b>2,805,153</b>	<b>2,197,387</b>	<b>2,527,896</b>	<b>4,721,935</b>	<b>5,333,049</b>
<b>Expenses:</b>						
General government	676,540	671,348	-	-	676,540	671,348
Public safety	1,011,128	1,025,176	-	-	1,011,128	1,025,176
Highways and public improvements	280,260	316,154	-	-	280,260	316,154
Sanitation	241,126	201,800	-	-	241,126	201,800
Parks, recreation and public property	461,222	532,204	-	-	461,222	532,204
Cemetery	29,602	37,390	-	-	29,602	37,390
Operating Expenses (Business Type)	-	-	1,673,136	1,193,449	1,673,136	1,193,449
Interest Expense	-	-	88,050	55,237	88,050	55,237
<b>Total expenses</b>	<b>2,699,878</b>	<b>2,784,072</b>	<b>1,761,186</b>	<b>1,248,686</b>	<b>4,461,064</b>	<b>4,032,758</b>
Increase in net assets before transfers	(175,330)	21,081	436,201	1,279,210	260,871	1,300,291
Transfers	365,720	278,028	(365,720)	(278,028)	-	-
<b>Increase in net assets</b>	<b>190,390</b>	<b>299,109</b>	<b>70,481</b>	<b>1,001,182</b>	<b>260,871</b>	<b>1,300,291</b>
Net assets - beginning	8,220,987	8,411,377	7,924,873	7,995,354	16,145,860	16,406,731
<b>Net assets - ending</b>	<b>\$ 8,411,377</b>	<b>\$ 8,710,486</b>	<b>\$ 7,995,354</b>	<b>\$ 8,996,536</b>	<b>\$ 16,406,731</b>	<b>\$ 17,707,022</b>

## FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2005 the City's governmental funds (General, Capital Projects, Special Revenue and Permanent Fund) reported combined fund equity of \$977,531. This represents an increase of \$229,857 from last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes continue to be a large source of revenue in the General Fund and represent 39.5% of total general fund revenues. The largest element of taxes is sales tax, as it has been for the last several years.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same



information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$2,503,774 to a final budget of \$2,778,776. This increase was made to cover additional costs in the Park and Recreation Department for purchase of play ground equipment.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets - Santaquin City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$18,242,131 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, machinery and equipment, and infrastructure.

Major capital asset events during this fiscal year included the following:

Sale of the Gas Company

Long-term debt - At June 30, 2005 the City had total long term debt outstanding of \$4,023,272. Of this amount \$357,889 is due within 12 months of the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The General Fund budget for fiscal year ending June 30, 2005 reflects an increase of approximately 8% over the final budget for the fiscal year ended June 30, 2004. The largest part of this increase is due to the rise in general operating expenses.

Some capital improvements budgeted for in the FY 2005 budget include:

SCADA System  
200 E Road Project  
East Side Park  
900 South Sewer Project

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Santaquin City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this

report or requests for additional financial information should be addressed to: City Recorder,  
Santaquin City, 45 West 100 South Santaquin, UT 84655

## **BASIC FINANCIAL STATEMENTS**

**Santaquin City**  
**Statement of Net Assets**  
**June 30, 2005**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 81,019	\$ 1,077,130	\$ 1,158,149
Receivables:			
Trade accounts (net of allowance)	25,770	133,542	159,312
Other	9,469	-	9,469
Internal balances	485,198	(485,198)	-
Restricted Assets:			
Cash and cash equivalents	509,429	1,804,826	2,314,255
Capital assets (net of accumulated depreciation):			
Buildings	1,187,540	-	1,187,540
Improvements other than buildings	-	9,038,072	9,038,072
Equipment	186,437	98,827	285,264
Capital assets (not being depreciated):			
Land	550,745	124,032	674,777
Water shares	-	88,339	88,339
Infrastructure	6,968,139	-	6,968,139
Total assets	<u>10,003,746</u>	<u>11,879,570</u>	<u>21,883,316</u>
<b>LIABILITIES</b>			
Accounts payable	28,513	-	28,513
Accrued liabilities	104,841	19,668	124,509
Compensated absences	168,889	71,105	239,994
Noncurrent Liabilities:			
Due within one year	148,858	209,031	357,889
Due in more than one year	842,159	2,583,230	3,425,389
Total liabilities	<u>1,293,260</u>	<u>2,883,034</u>	<u>4,176,294</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,901,844	6,183,985	14,085,829
Restricted for:			
Parks and recreation	24,780	-	24,780
Perpetual care	764	-	764
Redevelopment agency	(8,740)	-	(8,740)
Library	2,723	-	2,723
Bond requirements	-	99,583	99,583
Water assessments	-	285,303	285,303
Impact fees	669,834	1,419,940	2,089,774
Unrestricted	119,281	1,007,725	1,127,006
Total net assets	<u>\$ 8,710,486</u>	<u>\$ 8,996,536</u>	<u>\$ 17,707,022</u>

**Santaquin City**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Grants and Contributions		Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 671,348	\$ 277,305	\$ -	\$ 166,294	\$ (227,749)	\$ -	\$ (227,749)
Public safety	1,025,176	459,776	9,469	-	(555,931)	-	(555,931)
Highways and public improvements	316,154	105,442	279,343	-	68,631	-	68,631
Sanitation	201,800	240,630	-	-	38,830	-	38,830
Parks, recreation, and public property	532,204	54,961	9,810	-	(467,433)	-	(467,433)
Cemetery	37,390	14,174	-	-	(23,216)	-	(23,216)
Total governmental activities	2,784,072	1,152,288	298,622	166,294	(1,166,868)	-	(1,166,868)
<b>Business-type activities:</b>							
Water	549,691	580,826	-	925,171	-	956,306	956,306
Sewer	634,348	481,338	-	226,221	-	73,211	73,211
Gas	64,647	37,077	-	-	-	(27,570)	(27,570)
Total business-type activities	1,248,686	1,099,241	-	1,151,392	-	1,001,947	1,001,947
Total primary government	\$4,032,758	\$2,251,529	\$ 298,622	\$1,317,686	(1,166,868)	1,001,947	(164,921)
<b>General revenues:</b>							
Taxes			1,043,549			-	1,043,549
Unrestricted investment earnings			18,733			39,779	58,512
Miscellaneous			125,667			130,626	256,293
Extraordinary Item - Gain(loss) sale of assets			-			106,858	106,858
Transfers			278,028			(278,028)	-
Total general revenues and transfers			1,465,977			(765)	1,465,212
Change in net assets			299,109			1,001,182	1,300,291
Net assets - beginning			8,411,377			7,995,354	16,406,731
Net assets - ending			\$ 8,710,486			\$ 8,996,536	\$ 17,707,022

The Notes to the Financial Statements are an Integral Part of this Statement.

**Santaquin City  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 81,019	\$ -	\$ 81,019
Accounts receivable			
Trade accounts (net of allowance)	25,770	-	25,770
Other	-	9,469	9,469
Due from other funds	382,393	197,432	579,825
Restricted assets:			-
Cash and cash equivalents	24,780	484,649	509,429
Total assets	<u>\$ 513,962</u>	<u>\$ 691,550</u>	<u>\$ 1,205,512</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 28,513	\$ -	\$ 28,513
Accrued liabilities	104,183	658	104,841
Due to other funds	64,652	29,975	94,627
Total liabilities	<u>197,348</u>	<u>30,633</u>	<u>227,981</u>
Fund balances:			
Reserved for:			
Parks and recreation	24,780	-	24,780
Perpetual care	-	764	764
Redevelopment agency	-	(8,740)	(8,740)
Impact Fees	-	669,834	669,834
Library	-	2,723	2,723
Designated for:			
Liabilities	16,971	-	16,971
Fire truck	22,432	-	22,432
Ambulance	41,979	-	41,979
Senior citizens	-	(2,355)	(2,355)
Capital projects	-	(2,358)	(2,358)
Other	62,694	1,049	63,743
Undesignated	147,758	-	147,758
Total fund balances	<u>316,614</u>	<u>660,917</u>	<u>977,531</u>
Total liabilities and fund balances	<u>\$ 513,962</u>	<u>\$ 691,550</u>	<u>\$ 1,205,512</u>

**Santaquin City**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2005**

Total fund balances - governmental fund types:	\$ 977,531
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,892,861
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,159,906)</u>
Net assets of government activities	<u><u>\$ 8,710,486</u></u>

**Santaquin City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,043,549	\$ -	\$ 1,043,549
Licenses and permits	266,784	-	266,784
Intergovernmental revenues	279,343	19,279	298,622
Charges for services	774,772	5,290	780,062
Fines and forfeitures	105,442	-	105,442
Interest income	7,898	10,835	18,733
Miscellaneous	119,772	5,895	125,667
<b>Total revenues</b>	<u>2,597,560</u>	<u>41,299</u>	<u>2,638,859</u>
<b>EXPENDITURES</b>			
Current:			
General government	706,862	-	706,862
Public safety	1,071,464	-	1,071,464
Highways and public improvements	354,087	-	354,087
Parks, recreation and public property	390,331	96,500	486,831
Sanitation	197,459	-	197,459
Cemetery	36,621	-	36,621
<b>Total expenditures</b>	<u>2,756,824</u>	<u>96,500</u>	<u>2,853,324</u>
Excess revenues over (under) expenditures	<u>(159,264)</u>	<u>(55,201)</u>	<u>(214,465)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	341,681	23,235	364,916
Transfers out	(86,888)	-	(86,888)
Impact fees	-	166,294	166,294
<b>Total other financing sources and uses</b>	<u>254,793</u>	<u>189,529</u>	<u>444,322</u>
Excess of revenues and other sources over (under) expenditures and other uses	95,529	134,328	229,857
Fund balances - beginning of year	221,085	526,589	747,674
Fund balances - end of year	<u>\$ 316,614</u>	<u>\$ 660,917</u>	<u>\$ 977,531</u>



**Santaquin City**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 229,857
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(20,579)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	157,993
GAAP requires that a capital lease be reflected in a governmental fund as an other financing source in the amount of the net present value of the minimum lease payments. This amount should be reported as a liability in the government-wide statement of net assets.	(36,428)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated Absences	(31,734)
Change in net assets of governmental activities	<u>\$ 299,109</u>

**Santaquin City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 882,874	\$ 1,015,850	\$ 1,043,549	\$ 27,699
Licenses and permits	262,327	266,785	266,784	(1)
Intergovernmental revenues	380,578	279,343	279,343	-
Charges for services	571,857	757,413	774,772	17,359
Fines and forfeitures	130,507	105,442	105,442	-
Interest income	1,889	7,827	7,898	71
Miscellaneous	63,409	104,323	119,772	15,449
Total revenues	<u>2,293,441</u>	<u>2,536,983</u>	<u>2,597,560</u>	<u>60,577</u>
<b>EXPENDITURES</b>				
Current:				
General government	600,287	689,585	706,862	17,277
Public safety	989,826	1,082,262	1,071,464	(10,798)
Highways and public improvements	420,627	354,687	354,087	(600)
Parks, recreation and public property	226,334	391,911	390,331	(1,580)
Sanitation	228,799	223,344	197,459	(25,885)
Cemetery	37,901	36,987	36,621	(366)
Total expenditures	<u>2,503,774</u>	<u>2,778,776</u>	<u>2,756,824</u>	<u>(21,952)</u>
Excess revenues over (under) expenditures	<u>(210,333)</u>	<u>(241,793)</u>	<u>(159,264)</u>	<u>82,529</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	295,420	341,681	341,681	-
Transfers out	(84,751)	(96,888)	(86,888)	10,000
Total other financing sources and uses	<u>210,669</u>	<u>244,793</u>	<u>254,793</u>	<u>10,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>336</u>	<u>3,000</u>	<u>95,529</u>	<u>92,529</u>
Fund balances - beginning of year	221,085	221,085	221,085	-
Fund balances - end of year	<u>\$ 221,421</u>	<u>\$ 224,085</u>	<u>\$ 316,614</u>	<u>\$ 92,529</u>

**Santaquin City**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Gas	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 800,295	\$ 276,835	\$ -	\$ 1,077,130
Accounts receivable:				
Trade accounts	91,686	53,841	715	146,242
Allowance for doubtful accounts	(12,700)	-	-	(12,700)
Due from other funds	69,419	152,899	-	222,318
Restricted Assets:				
Restricted cash and cash equivalents	803,485	1,001,341	-	1,804,826
Total current assets	<u>1,752,185</u>	<u>1,484,916</u>	<u>715</u>	<u>3,237,816</u>
Non-current assets:				
Land	14,032	110,000	-	124,032
Buildings	211,292	-	-	211,292
Less: Accumulated depreciation	(211,292)	-	-	(211,292)
Improvements other than buildings	4,693,145	8,677,802	-	13,370,947
Less: Accumulated depreciation	(1,449,814)	(2,883,061)	-	(4,332,875)
Machinery and equipment	191,189	147,081	31,312	369,582
Less: Accumulated depreciation	(169,219)	(85,957)	(15,579)	(270,755)
Water shares	88,339	-	-	88,339
Total noncurrent assets	<u>3,367,672</u>	<u>5,965,865</u>	<u>15,733</u>	<u>9,349,270</u>
Total assets	<u>5,119,857</u>	<u>7,450,781</u>	<u>16,448</u>	<u>12,587,086</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accrued liabilities	14,858	4,810	-	19,668
Compensated absences	33,304	26,241	11,560	71,105
Due to other funds	-	472,607	234,909	707,516
Current portion of long term debt	90,000	119,031	-	209,031
Total current liabilities	<u>138,162</u>	<u>622,689</u>	<u>246,469</u>	<u>1,007,320</u>
Noncurrent liabilities:				
Lease payable	4,726	35,095	-	39,821
Bonds payable	388,000	2,155,409	-	2,543,409
Total noncurrent liabilities	<u>392,726</u>	<u>2,190,504</u>	<u>-</u>	<u>2,583,230</u>
Total liabilities	<u>530,888</u>	<u>2,813,193</u>	<u>246,469</u>	<u>3,590,550</u>
Net Assets:				
Invested in capital assets, net of related debt	2,984,529	3,183,723	15,733	6,183,985
Designated for:				
Money in lieu	500,000	-	-	500,000
Reserved for:				
Bond requirements	99,583	-	-	99,583
Water assessments	285,303	-	-	285,303
Impact fees	418,599	1,001,341	-	1,419,940
Unreserved	300,955	452,524	(245,754)	507,725
Total net assets	<u>4,588,969</u>	<u>\$ 4,637,588</u>	<u>\$ (230,021)</u>	<u>\$ 8,996,536</u>

**Santaquin City**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Gas	Total
<b>Operating revenues:</b>				
Charges for sales and services	\$ 580,826	\$ 481,338	\$ 37,077	\$ 1,099,241
Miscellaneous	67,493	4,551	58,582	130,626
Total operating revenues	<u>648,319</u>	<u>485,889</u>	<u>95,659</u>	<u>1,229,867</u>
<b>Operating expenses:</b>				
Salaries and wages	142,505	110,342	12,742	265,589
Employee benefits	64,199	46,405	7,044	117,648
Materials and supplies	21,808	24,309	84	46,201
Depreciation	208,751	359,660	5,654	574,065
Utilities and telephone	62,955	32,146	159	95,260
Transfer and distribution	34,411	-	25,389	59,800
Professional services	6,127	6,437	13,542	26,106
Travel and training	6,634	2,113	33	8,780
Total operating expenses	<u>547,390</u>	<u>581,412</u>	<u>64,647</u>	<u>1,193,449</u>
Operating income	<u>100,929</u>	<u>(95,523)</u>	<u>31,012</u>	<u>36,418</u>
<b>Nonoperating revenues (expenses):</b>				
Interest income	22,664	16,603	512	39,779
Impact fees	250,566	226,221	-	476,787
Extraordinary item - gain (loss) on sale of asset	-	-	106,858	106,858
Money in lieu of water	674,605	-	-	674,605
Interest expense	(2,301)	(52,936)	-	(55,237)
Total nonoperating revenues (expenses)	<u>945,534</u>	<u>189,888</u>	<u>107,370</u>	<u>1,242,792</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	5,593	5,593
Transfers out	(277,759)	(5,862)	-	(283,621)
Total other financing sources (uses)	<u>(277,759)</u>	<u>(5,862)</u>	<u>5,593</u>	<u>(278,028)</u>
Net income (loss)	<u>768,704</u>	<u>88,503</u>	<u>143,975</u>	<u>1,001,182</u>
Change in net assets	768,704	88,503	143,975	1,001,182
Total net assets - beginning	3,820,265	4,549,085	(373,996)	7,995,354
Total net assets - ending	<u>\$ 4,588,969</u>	<u>\$ 4,637,588</u>	<u>\$ (230,021)</u>	<u>\$ 8,996,536</u>

**Santaquin City**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Gas</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>				
Operating income (loss)	\$ 583,391	\$ 484,256	\$ 42,759	\$ 1,110,406
Other cash receipts	67,493	4,551	58,582	130,626
Payments to suppliers	(121,857)	(63,828)	(49,881)	(235,566)
Payments to employees	(203,186)	(154,252)	(18,524)	(375,962)
Net cash provided (used) by operating activities	325,841	270,727	32,936	629,504
<b>Cash Flows From Non-Capital and Related Financing Activities</b>				
Transfers in	-	-	5,593	5,593
Transfers out	(277,759)	(5,862)	-	(283,621)
Net cash provided (used) by non-capital and related financing activities	(277,759)	(5,862)	5,593	(278,028)
<b>Cash Flows From Capital and Related Financing Activities</b>				
Decrease (increase) in internal balances	242,336	73,232	(358,751)	(43,183)
Payment on notes and bonds payable	(92,670)	(129,337)	(259,388)	(481,395)
Impact fees collected	250,566	226,221	-	476,787
Money in lieu	674,605	-	-	674,605
Interest paid on debt	(2,301)	(52,936)	-	(55,237)
System improvements and asset purchases	(319,128)	(141,904)	(192)	(461,224)
Proceeds from sale of gas system	-	-	579,290	579,290
Net cash provided (used) by capital and related financing activities	753,408	(24,724)	(39,041)	689,643
<b>Cash Flows From Investing Activities</b>				
Interest income	22,664	16,603	512	39,779
Net cash provided (used) by investing activities	22,664	16,603	512	39,779
Net increase (decrease) in cash and cash equivalents	824,154	256,744	-	1,080,898
Cash and cash equivalents, July 1	779,626	1,021,432	-	1,801,058
Cash and cash equivalents, June 30	\$ 1,603,780	\$ 1,278,176	\$ -	\$ 2,881,956
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income	\$ 100,929	\$ (95,523)	\$ 31,012	\$ 36,418
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	208,751	359,660	5,654	574,065
(Increase) decrease in accounts receivable	2,565	2,918	5,682	11,165
Increase (decrease) in accrued liabilities	10,078	1,177	(10,674)	581
Increase (decrease) in compensated absences	3,518	2,495	1,262	7,275
Total adjustments	224,912	366,250	1,924	593,086
Net cash provided (used) by operating activities	\$ 325,841	\$ 270,727	\$ 32,936	\$ 629,504

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2005, the City has implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

**1.A. FINANCIAL REPORTING ENTITY**

Santaquin City is a political subdivision of the State of Utah. The City is governed by a mayor and an elected board of five council members. The financial statements of Santaquin City include those of separately administered organizations that are controlled by or are dependent on the City. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Using these criteria no potential component units are included in the City's financial statements.

The accounting policies of Santaquin City, Utah, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

The City's financial reporting entity comprises the following:

Primary Government:	City of Santaquin
Component Units:	None

**1.B. BASIS OF PRESENTATION**

***Government-wide Financial Statements:***

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

**Capital Project Fund**

The Capital Project Fund is used to account for resources designated for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

**Permanent Fund**

The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used for perpetual care of the cemetery.

***Proprietary Fund***

**Enterprise Fund**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the water, sewer, and gas funds.



**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Major and Non-major Funds**

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General	See above for description.
Enterprise Funds:	
Water, Sewer and Gas	Accounts for revenues and expenditures of water, sewer and gas utilities.
<b>Nonmajor:</b>	
Special Revenue Funds:	
Senior Citizens	Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.
Internet Grant	See above for description
Library Grant	See above for description
Redevelopment Agency	See above for description
Park Impact Fees	See above for description
Capital Projects Fund	See above for description
Permanent Fund:	
Cemetery Perpetual Care	See above for description

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

***Basis of Accounting***

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**1.D. ASSETS, LIABILITIES, AND EQUITY**

***Cash and Investments***

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

***Interfund Receivables and Payables***

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include; property taxes, sales taxes, and class "C" road funds. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	30-45 years	30-45 years
Machinery and Equipment	10-15 years	10-15 years
Vehicles	5-10 years	5-10 years

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

***Restricted Assets***

Restricted assets consist of various cash balances that are restricted as to their use. Certain cash balances are restricted by provisions of the bond resolutions. These include the bond, and emergency repairs accounts in the enterprise funds. Customer deposits are also restricted in the enterprise funds. Class C Road revenue not spent is restricted in the general fund to be used for future roadwork and funds are held for the fire department to be used for future expenditures.

***Long-term Debt***

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

***Equity Classifications***

***Government-wide Statements***

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  - b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
  - c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- Fund Statements

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

**1.E. REVENUES, EXPENDITURES AND EXPENSES**

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Utah County prior to the commencement of the fiscal year. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30 of each year. Property taxes are collected by the Utah County Treasurer and remitted to the City shortly after collection.

Sales taxes are collected by the Utah State Tax Commission and are remitted to the City monthly.

***Operating Revenues and Expenses***

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

***Expenditures/Expenses***

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:

- Current (further classified by function)
- Debt Service
- Capital Outlay

Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

***Interfund Transfers***

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**2.A. FUND ACCOUNTING REQUIREMENTS**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Cemetery Fund	State Law

**2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized, nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Utah Money Management Act and adhering to the rules of the Utah Money Management Council.

The Utah Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

The City's investments are categorized as follows to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealers trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the City's name. The City currently has no investments that are required to be categorized.

The Utah Public Treasurers' Investment Fund (PTIF) is an external deposit and investment pool wherein governmental entities are able to pool the moneys from several entities to improve investment efficiency and yield. These moneys are invested primarily in money market securities and contain no withdrawal restrictions. As such, the moneys invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

**2.C. REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
Water, Sewer and Gas	Debt Service and Utility Operations
B & C Road Funds	Eligible B & C Roads
Federal and State Grants	Specific to Grant

For the year ended June 30, 2005, the City complied, in all material respects, with these revenue restrictions.

**2.D. DEBT RESTRICTIONS AND COVENANTS**

***General Obligation Debt***

No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2005, the City had \$1,159,906 of outstanding general obligation debt.

***Other Long-term Debt***

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight percent for third class cities. For the year ended June 30, 2005, the City had \$2,863,366 of such indebtedness.

***Notes and Bonds Payable***

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2005.

Requirement	Level of Compliance
-------------	---------------------

a. Bonds Payable Coverage:

Net water operating revenues (excluding depreciation) must equal 1.25 times the annual debt service plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 1991 Water Revenue Bonds, Series A & B.

Net sewer operating revenues (excluding depreciation) must equal 1.20 times the annual debt service plus the unfunded portion of the Debt Service Reserve Requirement to be due and payable for the forthcoming year on the 1993 Sewer Revenue Bonds, Series A & B.

b. Reserve Account Requirement:

Various escrows are set up as reserves to make the annual debt payments. Minimum balances are required to be kept in each of the escrows.

## **2.E. FUND EQUITY RESTRICTIONS**

### ***Deficit Prohibition***

Utah Code 10-6-116(4) indicates the only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. (10-6-116(2)) The City was within the limitations allowed by law. The City also did not have any deficit fund balances in any of its funds.

The following funds carried a negative fund balance or retained earnings as of June 30, 2005:

	<u>Amount</u>
Capital Projects Funds	\$ 2,358
Redevelopment Agency Fund	8,740
Senior Citizens Fund	2,355
Natural Gas Fund	230,021

## **2.F. BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.



**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

The following departments exceeded budgeted expenditures for the fiscal year ending June 30, 2005:

	<u>Amount</u>
General Government	\$17,277

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3.A. CASH AND INVESTMENTS**

***Deposits***

As of June 30, 2004 and 2005, deposits with banks totaled \$481,008 and \$347,320 respectively. The carrying amount on the City's books was \$362,377 and \$365,400 respectively. These deposits were covered by Federal Depository Insurance up to \$100,000. These deposits are not collateralized nor are they required to be by State Statute.

***Investments***

The City has investments with the Utah Public Treasurers' Fund (PTIF) which are not subject to categorization. The carrying amount and market value of the investments at June 30, 2004 and 2005 were \$1,719,707 and \$3,107,004 respectively.

The City's policies regarding deposits of cash are discussed in Note 1.D. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2005. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement.

The City currently has no investments that are required to be categorized. Investments not subject to categorization at June 30, 2005, were as follows:

Investments in Utah State Treasurers' Investment Fund	\$ 3,107,004
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**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Reconciliation to Government-wide Statement of Net Assets:

	Investments	\$	3,107,004
	Deposits		365,400
	Total	\$	<u>3,472,404</u>
Per Statement of Net Assets:			
	Unrestricted Cash	\$	1,158,149
	Restricted Cash		2,314,255
	Total	\$	<u>3,472,404</u>

**3.B. RESTRICTED ASSETS**

The restricted assets as of June 30, 2005, are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
<b><i>Business-Type Activities:</i></b>				
Bond Requirements	99,583			99,583
Water Assessments	285,303			285,303
Impact Fees	1,419,940			1,419,940
Total	<u>1,804,826</u>	<u>-</u>	<u>-</u>	<u>1,804,826</u>
<b><i>Governmental Activities:</i></b>				
Parks & Recreation	24,780			24,780
Perpetual Care	492			492
Senior Citizens	1,780			1,780
Internet Grant	676			676
Capital Projects	3,821			3,821
Library	1,754			1,754
Impact Fees	476,126			476,126
Total	<u>509,429</u>	<u>-</u>	<u>-</u>	<u>509,429</u>
Grand Totals	<u>\$ 2,314,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,314,255</u>

**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable for the business-type activities consist of utilities receivable from the water and sewer utilities. Accounts receivable of the governmental activities consists of a garbage receivable, landfill, and capital vehicle and equipment. Receivables detail at June 30, 2005, is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$ 25,770	\$ 146,242	\$ 172,012
Allowance for Doubtful Accounts	-	(12,700)	(12,700)
Net Accounts Receivable	<u>\$ 25,770</u>	<u>\$ 133,542</u>	<u>\$ 159,312</u>

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**3.D. CAPITAL ASSETS**

*Capital asset activity for the year ended June 30, 2005, was as follows:*

	Balance at July 1, 2003	Additions	Disposals	Balance at June 30, 2004
Governmental Activities:				
Land	\$ 550,745	\$ -	\$ -	\$ 550,745
Buildings	1,427,187	106,553	-	1,533,740
Machinery and equipment	1,025,590	58,327	-	1,083,917
Infrastructure	6,968,139	-	-	6,968,139
Totals at historical cost	9,971,661	164,880	-	10,136,541
Less Accum. Depreciation				
Buildings	(278,197)	(68,003)	-	(346,200)
Machinery and equipment	(780,024)	(117,456)	-	(897,480)
Infrastructure	-	-	-	-
Total Accum. Depreciation	(1,058,221)	(185,459)	-	(1,243,680)
Governmental Activities capital assets, net	8,913,440	(20,579)	-	8,892,861
Business-type activities:				
Land	124,032	-	-	124,032
Buildings & Improvements	211,292	-	-	211,292
Improvements Other Than Bldg	13,482,270	461,424	(572,747)	13,370,947
Machinery and equipment	369,582	-	-	369,582
Water Rights	88,339	-	-	88,339
Totals at historical cost	14,275,515	461,424	(572,747)	14,164,192
Less Accum. Depreciation				
Buildings & Improvements	(207,005)	(4,287)	-	(211,292)
Improvements Other Than Bldg	(3,888,455)	(544,736)	100,315	(4,332,876)
Machinery and equipment	(245,710)	(25,043)	-	(270,753)
Total Accum. Depreciation	(4,341,170)	(574,066)	100,315	(4,814,921)
Business-type activities capital assets, net	\$ 9,934,345	\$ (112,642)	\$ (472,432)	\$ 9,349,271

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*Depreciation expense was charged to governmental activities as follows:*

General government	\$ 22,420
Public safety	66,489
Highways and public improvements	46,067
Parks and recreation	45,372
Sanitation	4,341
Cemetery	770
Total depreciation expense	<u>\$ 185,459</u>

**3.E. ACCOUNTS PAYABLE**

Payables in the general fund are composed of payroll items such as payroll taxes, insurance and benefits.

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**3.F. LONG-TERM DEBT**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

***Governmental Activities:***

As of June 30, 2005, the City had \$1,159,906 in governmental long-term debt.

Compensated Absences	\$ 168,889
<b><i>Bonds Payable</i></b>	
Excise Tax Revenue Bonds, Series 1998	
Original Principal \$730,000 @ 4.10% to 4.65%	295,000
Excise Tax Revenue Bonds, Series 2002	
Original Principal \$525,000 @ 2.8% to 4.95%	477,000
	<u>772,000</u>
<b><i>Capital Leases</i></b>	
Kroger Building	
Original Principal \$60,000 @ 5.5%	48,573
Zions Bank - Park Lights	
Original Principal \$56,000 @ varies%	45,544
Zion's Bank - Maintenance Truck	
Original Principal \$24,315 @ 6.9%	20,385
Zions Bank - Police Car	
Original Principal \$29,893 @ 4.70%	23,353
Zions Bank - Flatbed Truck	
Original Principal \$17,750 @ 3.4%	9,453
Zions Bank - Police Truck	
Original Principal \$26,500 @ 5.95%	10,570
Zions Bank - Police Car	
Original Principal \$13,430 @ 3.75%	11,139
Zions Bank - Police Car	
Original Principal \$28,800 @ 6.9%	17,229
Zions Bank - UDOT Building	
Original Principal \$55,000 @ 5.95%	32,771
	<u>219,017</u>
Total General Long-Term Debt	<u><u>\$ 1,159,906</u></u>

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

***Business-type Activities:***

As of June 30, 2005, the long-term debt payable from proprietary fund resources consisted of the following:

***Notes Payable & Revenue Bonds:***

1993 Sewer Bond - Series B	
Original Principal \$1,307,000 @ 0.0%	\$ 722,000
1993 Sewer Bond - Series A	
Original Principal \$1,000,000 @ 0.0%	703,000
1993 Sewer Bond - Series D	
Original Principal \$509,200 @ 5.45%	458,874
1993 Sewer Bond - Series C	
Original Principal \$333,000 @ 5.45%	300,045
2003 Zions Line of Credit	
Original Principal \$174,097 @ 0%	90,520
1991 Water Bond - Series A	
Original Principal \$765,000 @ 0%	269,000
1991 Water Bond - Series B	
Original Principal \$765,000 @ 0%	<u>209,000</u>
Total notes and revenue bonds	<u>2,752,439</u>

***Capital Leases:***

Zions Bank - Volvo Vac Truck	
Original Principal \$56,000 @ 3.35%	30,369
Zions Bank - Flatbed Truck - Water	
Original Principal \$8,875 @ 3.4%	4,726
Zions Bank - Flatbed Truck - Sewer	
Original Principal \$8,875 @ 3.4%	<u>4,726</u>
Total capital leases	<u>39,821</u>

***Compensated Absences***

	71,105
Total Long-term debt	<u><u>\$ 2,863,365</u></u>

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2005:

Type of Debt	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Governmental Activities:</b>				
Compensated Absences	\$ 137,155	\$ 31,734	\$ -	\$ 168,889
Bonds Payable	856,000	-	(84,000)	772,000
Capital Leases Payable	256,582	54,208	(91,774)	219,016
Total Governmental Debt	<u>\$ 1,249,737</u>	<u>\$ 85,942</u>	<u>\$ (175,774)</u>	<u>\$ 1,159,905</u>
<b>Business-type Activities:</b>				
Compensated Absences	63,831	7,274	-	71,105
Capital Leases Payable	52,648	-	(12,827)	39,821
Revenue Bonds Payable	3,430,039	-	(677,600)	2,752,439
Total Business-type Debt	<u>\$ 3,546,518</u>	<u>\$ 7,274</u>	<u>\$ (690,427)</u>	<u>\$ 2,863,365</u>

The revenue bonds are payable only from the net revenues of the water and sewer systems, as defined in the bond ordinances. The ordinances further provide that the City establish certain accounts and reserves for bond payment and that all revenues of the system are to be used for operation and maintenance costs of the systems, principal and interest on the bonds, and establishment of the defined debt repayment reserves and capital facilities replacement account.

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2005, are as follows:

June 30	Capital Leases	
	Business-type	Governmental
2006	\$ 16,154	\$ 60,858
2007	16,154	57,181
2008	9,745	52,215
2009	-	43,333
2010	-	14,964
Thereafter	-	42,346
Total commitment	42,053	270,897
Less Interest Portion	2,232	51,881
Net Capital Leases	<u>\$ 39,821</u>	<u>\$ 219,016</u>

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Notes and bonds payable:**

Year Ending June 30	Business-Type		Governmental	
	Principal	Interest	Principal	Interest
2006	\$ 209,031	\$ 39,585	\$ 88,000	\$ 36,588
2007	210,920	39,001	92,000	32,635
2008	210,850	38,386	150,000	28,430
2009	213,822	37,738	103,000	21,455
2010	161,838	37,055	108,000	16,562
2011-2015	686,982	173,674	231,000	17,219
2016-2020	337,013	150,167	-	-
2021-2025	302,559	119,621	-	-
2026-2030	206,252	79,928	-	-
2031-2037	213,172	28,388	-	-
Total	<u>\$ 2,752,439</u>	<u>\$ 743,543</u>	<u>\$ 772,000</u>	<u>\$ 152,889</u>

**3.G. INTER-FUND TRANSACTIONS AND BALANCES**

**Operating Transfers**

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Activities :</b>		
General fund	\$ 341,681	\$ 86,888
Senior Citizens	22,101	-
Redevelopment Agency	1,134	-
Total Governmental Activities	<u>364,916</u>	<u>86,888</u>
<b>Business-type Activities:</b>		
Water	-	277,759
Sewer	-	5,862
Gas	5,593	-
Total Business-type Activities	<u>5,593</u>	<u>283,621</u>
<b>Grand Totals</b>	<u>\$ 370,509</u>	<u>\$ 370,509</u>



**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Due to/from other funds:**

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>Governmental Activities :</b>		
General fund	\$ 382,393	\$ 64,652
Senior Citizens	-	3,477
Internet Grant	373	-
Library Grant	969	-
Redevelopment Agency	-	8,740
Park Impact Fees	193,461	-
Public Safety Impact Fees	247	-
Cemetery	272	-
Capital project fund	2,110	17,758
Total Governmental Activities	<u>579,825</u>	<u>94,627</u>
<b>Business-type Activities:</b>		
Water	69,419	-
Sewer	152,899	472,607
Gas	-	234,909
Total Business-type Activities	<u>222,318</u>	<u>707,516</u>
<b>Grand Totals</b>	<u><u>\$ 802,143</u></u>	<u><u>\$ 802,143</u></u>

**3.H. FUND EQUITY**

**Restricted Fund Equity**

	<u>Government Activities</u>	<u>Business-Type Activites</u>	<u>Totals</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 7,901,844	\$ 6,183,985	\$ 14,085,829
Restricted for:			
Parks and recreation	24,780	-	24,780
Perpetual care	764	-	764
Redevelopment agency	(8,740)	-	(8,740)
Library	2,723	-	2,723
Bond Requirements	-	99,583	99,583
Water assessments	-	285,303	285,303
Impact fees	669,834	1,419,940	2,089,774
Unrestricted (Deficit)	119,281	1,007,725	1,127,006
Total Net Assets	<u><u>\$ 8,710,486</u></u>	<u><u>\$ 8,996,536</u></u>	<u><u>\$ 17,707,022</u></u>

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 4. OTHER NOTES**

**4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

The City participates in the following employee pension systems:  
Local Governmental – Cost Sharing Defined Benefits Pension Plans

**Plan Description.** The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), and the Public Safety Noncontributory Retirement System (Public Safety Noncontributory System) for employers with (without) social security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** The City is required to contribute a percentage of covered salary to the respective systems to which they belong; 11.09% to the Noncontributory, and 19.08% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the various Systems for the years ending June 30, 2005, 2004, and 2003, respectively, were; for the Noncontributory System, \$79,524, \$68,559, and \$61,330; and for the Public Safety Noncontributory, \$45,942, \$32,260, and \$23,780. The contributions were equal to the required contributions for each year.

**457 Deferred Compensation**

The employees of the City also have the option to participate in a 457 deferred compensation plan. The amount of the employer contributions for the year ended June 30, 2005, 2004, and 2003, were \$13,095, \$8,948, and \$8,141, respectively.  
Local Governmental - Cost Sharing Defined Benefits Pension Plans

**CITY OF SANTAQUIN, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**4.B. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased comprehensive general liability insurance through the Utah Local Governments' Trust. The City pays premiums to the Trust for its general insurance coverage, automobile liability, and personal injury protection. The Trust is self sustaining through member premiums. The City is subject to a minimal deductible for claims.

**4.C. EXTRAORDINARY ITEM – SALE OF GAS OPERATION**

The City sold its gas distribution system to Questar on July 30, 2004. The entire system was sold including all the assets and liabilities associated with the system. Questar paid in immediately available funds, the sum of \$317,290, the system customer adjustment amount in the amount of \$32,550, the warehouse supply amount in the amount of \$6,740 and paid off and retired the City's obligations to Zion's First National Bank in the amount of \$222,710 for a total sales price of \$579,290. The City's basis in the system was \$472,432 which results in a gain of \$106,858 on the transaction.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## **INFORMATION FOR INFRASTRUCTURE ASSETS USING THE MODIFIED APPROACH**

As allowed by GASB 34, Santaquin City has adopted an alternative to reporting depreciation on roads (infrastructure assets) maintained by the Public Works Department. Under the modified approach, infrastructure assets are not depreciated and maintenance and preservation costs are expensed.

Infrastructure assets that are part of a network are not required to be depreciated as long as the following requirements are met:

- The assets will be managed using an asset management system
- Document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level as disclosed below

The asset management system will provide:

- An up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale at least every three years
- Estimate yearly the annual amount of funds needed to maintain and preserve the eligible infrastructure assets at the condition level established
- The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved at the disclosed level
- All expenditures, except for additions and improvements, made for the eligible infrastructure assets will be expensed in the period incurred
- Additions and improvements to the eligible infrastructure assets will be capitalized, as they increase the capacity or efficiency of the asset rather than preserve the useful life of the asset

### **Roads**

Santaquin City will utilize the Pavement Management System to determine the condition of the city roads. The assessment is based on the Ride Index, which is a measurement of ride quality on a scale of 1-5, with 5 representing new or nearly new pavement.

<b>Category</b>	<b>Range</b>	<b>Description</b>
Good	3.55 – 4.34	Pavements, which provide an adequate, ride, and exhibit few, if any, visible signs of distress.
Fair	2.75 – 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.
Poor	1.85 – 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 – 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

## Condition Level

Santaquin City's condition level policy is to maintain 60% of the roads with a rating of "fair" or better and no more than 20% with a rating of "poor-very poor." All city roads are chip sealed on a rotating basis, with all new city streets done in a given year, and the rotation started every four to five years. The whole city had roads chip sealed between the years 2000 and current.

Complete assessments of the roads are performed on a fiscal year basis. The following chart shows the results of the pavement ratings for the last four years:

<b>Rating</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Fair or Better	80%	80%	80%	80%
Poor - Very Poor	20	20	20	20

The following table shows the estimated amounts needed to maintain and preserve the roads at or above the established condition levels addressed above, and the amounts actually spent for each of the last three fiscal years.

<b>Fiscal Year</b>	<b>Estimated Spending</b>	<b>Actual Spending</b>
2005	\$354,687	\$354,087
2004	243,501	322,416
2003	662,545	694,715
2002	193,700	201,464

## **SUPPLEMENTARY INFORMATION**

**Santaquin City**  
**Combining Balance Sheet**  
**Non-major Funds**  
**June 30, 2005**

	Special Revenue Fund						Permanent Funds		Total	
	Senior Citizens	Internet Grant	Library Grant	Redevelopment Agency	Park Impact Fees	Public Safety Impact Fees	Cemetery Perpetual Care	Capital Projects	Non-major Governmental Funds	
<b>ASSETS</b>										
Restricted Assets:										
Cash and cash equivalents	\$ 1,780	\$ 676	\$ 1,754	\$ -	\$ 475,679	\$ 447	\$ 492	\$ 3,821	\$	\$ 484,649
Receivable	-	-	-	-	-	-	-	9,469		9,469
Due from other funds	-	373	969	-	193,461	247	272	2,110		197,432
Total assets	<u>\$ 1,780</u>	<u>\$ 1,049</u>	<u>\$ 2,723</u>	<u>\$ -</u>	<u>\$ 669,140</u>	<u>\$ 694</u>	<u>\$ 764</u>	<u>\$ 15,400</u>	<u>\$</u>	<u>\$ 691,550</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accrued liabilities	\$ 658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	\$ 658
Due to other funds	3,477	-	-	8,740	-	-	-	17,758		29,975
Total liabilities	<u>4,135</u>	<u>-</u>	<u>-</u>	<u>8,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,758</u>	<u>\$</u>	<u>30,633</u>
Fund balances:										
Reserved	-	-	2,723	(8,740)	669,140	694	764	-		664,581
Designated	(2,355)	1,049	-	-	-	-	-	(2,358)		(3,664)
Total fund balances	<u>(2,355)</u>	<u>1,049</u>	<u>2,723</u>	<u>(8,740)</u>	<u>669,140</u>	<u>694</u>	<u>764</u>	<u>(2,358)</u>	<u>\$</u>	<u>660,917</u>
Total liabilities and fund balance	<u>\$ 1,780</u>	<u>\$ 1,049</u>	<u>\$ 2,723</u>	<u>\$ -</u>	<u>\$ 669,140</u>	<u>\$ 694</u>	<u>\$ 764</u>	<u>\$ 15,400</u>	<u>\$</u>	<u>\$ 691,550</u>

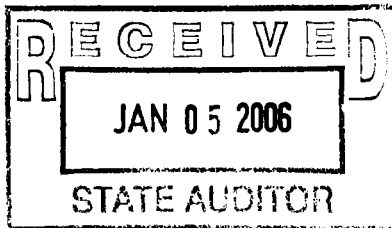
Notes to the Financial Statements are an integral Part of this statement.



**Santaquin City**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2005**

	Special Revenue Funds						Permanent Funds	Capital Projects	Total Non-major Governmental Funds
	Senior Citizens	Internet Grant	Library Grant	Redevelopment Agency	Park Impact Fees	Public Safety Impact Fees			
<b>REVENUES</b>									
Intergovernmental revenue	\$ 6,012	\$ -	\$ 3,798	\$ -	\$ -	\$ -	\$ -	\$ 9,489	\$ 19,279
Charges for services	5,290	-	-	-	-	-	-	-	5,290
Interest income	9	-	-	-	10,736	-	17	73	10,835
Miscellaneous	5,895	-	-	-	-	-	-	-	5,895
Total revenues	17,206	-	3,798	-	10,736	-	17	9,542	41,299
<b>EXPENDITURES</b>									
Parks, recreation and public property	37,593	240	1,982	1,134	48,390	-	-	7,161	96,500
Total expenditures	37,593	240	1,982	1,134	48,390	-	-	7,161	96,500
Excess of revenues over (under) expenditures	(20,387)	(240)	1,816	(1,134)	(37,654)	-	17	2,381	(55,201)
<b>OTHER FINANCING SOURCES (USES)</b>									
Impact fees	-	-	-	-	165,600	694	-	-	166,294
Transfers in	22,101	-	-	1,134	-	-	-	-	23,235
Total other financing sources (uses)	22,101	-	-	1,134	165,600	694	-	-	189,529
Excess of revenues and other sources over (under) expenditures and other uses	1,714	(240)	1,816	-	127,946	694	17	2,381	134,328
Fund balances - beginning	(4,069)	1,289	907	(8,740)	541,194	-	747	(4,739)	526,589
Fund balances - ending	\$ (2,355)	\$ 1,049	\$ 2,723	\$ (8,740)	\$ 669,140	\$ 694	\$ 764	\$ (2,358)	\$ 660,917

Notes to the Financial Statements are an integral Part of this statement.



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SCANNED  
Date 1-6-06

**CITY OF SANTAQUIN, UTAH  
INDEPENDENT AUDITORS' REPORT IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*  
INDEPENDENT AUDITORS' REPORT  
ON LEGAL COMPLIANCE  
MANAGEMENT LETTER  
JUNE 30, 2005**

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**LARSON & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 30, 2005

Honorable Mayor and  
City Council Members  
City of Santaquin, Utah

We have audited the accompanying basic financial statements of the City of Santaquin, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City in the management letter.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be

material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the management letter.

This report is intended for the information of the Mayor and City Council, management, and various federal and state funding and auditing agencies and is and is not intended to be and should not be used by anyone other than these specified parties.

*Larson & Company*  
Larson & Company  
Certified Public Accountants



**LARSON & PETERSON**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE WITH  
APPLICABLE UTAH STATE LAWS AND REGULATIONS**

September 30, 2005

Honorable Mayor and  
City Council Members  
City of Santaquin, Utah

We have audited the basic financial statements of the City of Santaquin, Utah, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. As part of our audit, we have audited the City of Santaquin's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B and C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Other General Compliance Requirements  
Uniform Building Code Standards  
Impact Fees and Other Development Fees  
Justice Courts Compliance  
Department of Commerce  
General Compliance – Asset Forfeiture

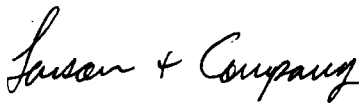
The management of the City of Santaquin is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards

require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Santaquin, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



Larson & Company  
Certified Public Accountants

**CITY OF SANTAQUIN, UTAH  
CURRENT YEAR FINDINGS  
JUNE 30, 2005**

**INTERNAL CONTROL FINDINGS**

**FINDING – RECEIPTS NOT BEING DEPOSITED FROM SENIOR CITIZEN FUND  
RAISER**

The Senior Citizen Center is collecting money from a fund raiser, and using the money directly for a "Sub for Santa" project. The funds are not being accounted for by the city treasurer, and the expenditures are not included in the budgeted numbers.

**RECOMMENDATION**

We recommend that all cash that is collected be ran through the treasurer and then expenditures be accounted for and properly appropriated using the normal budgeting process.

**RESPONSE**

Personnel from the senior center have already worked out a procedure to get the necessary information to the treasurer for proper accounting.

**STATE COMPLIANCE FINDINGS**

**FINDING – BUDGETED REVENUE**

Budgeted revenues on the TC-693 Report for property taxes do not equal budgeted revenues for property taxes in the City's adopted budget as required by law.

**RECOMMENDATION**

We recommend that the City comply with this state regulation by ensuring that the adopted budget for property taxes equals the amount on the TC-693 Report.

**RESPONSE**

The City did not receive the information necessary to be in compliance before the due date of the budget. In the future the City will amend its original budget to ensure that property tax revenues equal the TC-693 Report if necessary.



## **FINDING – BUDGETED EXPENDITURES**

The following departments exceeded budgeted expenditures for the fiscal year ending June 30, 2005:

	<u>Amount</u>
General Government	\$ 17,277

## **RECOMMENDATION**

We recommend that the City budget for all expenditures and make any necessary budget amendments before making expenditures in excess of budget.

## **RESPONSE**

The City made an expenditure soon after year end that should have been accrued as an expenditure in the fiscal year ending June 30, 2005 and was not. The adjustment was made during the auditors fieldwork. The City will monitor more closely expenditures, particularly those near the year end, to make sure proper budget adjustments are made.

## **FINDING – DEFICIT FUND BALANCE/NET ASSETS**

State law prohibits deficits in fund balance or retained earnings. The following funds carried a negative fund balance or retained earnings as of June 30, 2005:

	<u>Amount</u>
Capital Projects Funds	\$ 2,358
Redevelopment Agency Fund	8,740
Senior Citizens Fund	2,355
Natural Gas Fund	230,021

## **RECOMMENDATION**

We recommend that the City make necessary transfers or reduction in expenditures in the governmental funds to bring them into compliance with State Law.

## **RESPONSE**

The Gas System was sold during the year and the fund will be eliminated during the 2006 fiscal year. The Redevelopment Agency, by nature, will have a negative fund balance. The City will closely monitor expenditures in the Redevelopment Agency. The City will make the necessary transfers and/or reduction in expenditures in the governmental funds.

**CITY OF SANTAQUIN, UTAH  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2005**

**STATE COMPLIANCE FINDINGS**

**FINDING – RECEIPTS NOT BEING DEPOSITED WITHIN 3 BUSINESS DAYS**

The Library and the Recreation Department are not recording deposits within three business days. Also the Library is not depositing cash and keeping it in petty cash.

**RECOMMENDATION**

We recommend that the City record all revenues by turning in all cash receipts to the treasure and depositing it within three business days of receipt.

**STATUS OF PRIOR YEAR FINDINGS**

No problems noted in current audit.

**FINDING – ACCOUNTS PAYABLE DID NOT GET POSTED**

Expense side of payables did not get posted.

**RECOMMENDATION**

We recommend that the balance in accounts payable be checked after each pay run to make certain that all transactions are posted.

**STATUS OF PRIOR YEAR FINDINGS**

No problems noted in current audit.

**FINDING – BUDGETARY COMPLIANCE**

The following departments exceeded budgeted expenditures for the fiscal year ending June 30, 2004:

	<u>Amount</u>
Highways and Public Improvements	\$ 78,915
Public Safety	15,630
Sanitation	8,718

Additionally, the property tax revenue on form TC-693 does not match the budgeted property tax revenue on the original budget as required by State Law.

#### **RECOMMENDATION**

We recommend that the City budget for all expenditures and make any necessary budget amendments before making expenditures in excess of budget. We also recommend that the City do its best to estimate budgeted property tax on the original budget. This is not always possible, as reports are often not received in time from other governmental agencies.

#### **STATUS OF PRIOR YEAR FINDINGS**

See current findings.

#### **FINDING -DEFICIT FUND BALANCE AND RETAINED EARNINGS**

State law prohibits deficits in fund balance or retained earnings. The following funds carried a negative fund balance or retained earnings as of June 30, 2004:

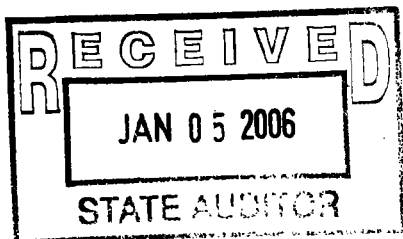
	<u>Amount</u>
Capital Projects Funds	\$ 4,739
Redevelopment Agency Fund	8,740
Senior Citizens Fund	4,069
Natural Gas Fund	373,996

#### **RECOMMENDATION**

We recommend that the City make necessary transfers or reduction in expenditures in the governmental funds to bring them into compliance with State Law.

#### **STATUS OF PRIOR YEAR FINDINGS**

See current findings.



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SCANNED  
Date 1-6-06

**REPORT ON BOND COMPLIANCE  
CITY OF SANTAQUIN, UTAH  
JUNE 30, 2005**

**CITY OF SANTAQUIN, UTAH  
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LARSON & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON BOND COMPLIANCE

September 30, 2005

Honorable Mayor  
Members of the City Council  
City of Santaquin, Utah

Mayor and Council Members:

We have audited the financial statements of Santaquin City, Utah, for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. As part of our audit, we reviewed your compliance with the requirements of your bond issues.

Based on our review, we are not aware of any areas of non-conformance.

Larson & Company  
Certified Public Accountants

**CITY OF SANTAQUIN, UTAH**  
**NET REVENUE BOND REQUIREMENT--**  
**SEWER FUND**  
**YEAR ENDED JUNE 30, 2004**

Operating Income		\$	(95,523)
Interest Income			16,603
Operating Expense Not Requiring Funds:			
Depreciation			<u>359,660</u>
Net Revenues			280,740
Debt Service - 2004 Fiscal Year			
Principal	\$	108,851	
Interest		<u>40,664</u>	
Total		149,515	
Required 120%			<u>179,418</u>
Net Revenues In Excess		\$	<u><u>101,322</u></u>

**CITY OF SANTAQUIN, UTAH**  
**NET REVENUE BOND REQUIREMENT--**  
**WATER FUND**  
**YEAR ENDED JUNE 30, 2004**

Operating Income		\$ 100,929
Interest Income		22,664
Operating Expense Not Requiring Funds:		
Depreciation		<u>208,751</u>
Net Revenues		332,344
Debt Service - 2004 Fiscal Year		
Principal	\$ 90,000	
Interest	<u>-</u>	
Total	90,000	
Required 125%		<u>112,500</u>
Net Revenues In Excess		<u><u>\$ 219,844</u></u>



**CITY OF SANTAQUIN, UTAH**  
**INSURANCE COVERAGE**  
**JUNE 30, 2005**

<b>COMPANY</b>	<b>COVERAGE AMOUNT</b>	<b>COVERAGE</b>	<b>EXPIRATION DATE</b>
Utah Local Governments' Trust	\$ 2,000,000	General Liability, Bodily Injury, Personal Injury, Property Damage, Public Officials, Errors and Omissions	2/16/2006
Utah Local Governments' Trust	\$ 2,000,000	Automotive Liability, Automotive Bodily Injury, and Property Damage	2/16/2006
Utah Local Governments' Trust	\$ 65,000	Uninsured Motorist	2/16/2006
Utah Local Governments' Trust	\$ 50,000	Underinsured Motorist	2/16/2006

**CITY OF SANTAQUIN, UTAH  
WATER AND SEWER  
CONNECTION FEES, CONNECTIONS, AND BILLINGS  
JUNE 30, 2005**

**CONNECTION FEES**

Water connection fees per connection are as follows:

3/4" meter	\$290.00
1" meter	450.00
1 1/2" meter	650.00
2" meter	750.00

Sewer connection fees are \$250.00 per connection.

**CONNECTIONS**

Currently the City services 1,850 water connections and 1,780 sewer connections.

**BILLINGS**

For the year ended June 30, 2005, the total water billings were \$545,939 and the total sewer billings were \$454,066.

**CITY OF SANTAQUIN, UTAH**  
**WATER AND SEWER**  
**RATES**  
**JUNE 30, 2005**

**SEWER**

The base rate for sewer service shall be \$14.20 per unit per month.

An additional charge of \$0.70 per 1,000 gallons will be assessed as determined by the customer's winter water usage.

New accounts shall be charged the minimum of \$14.20 plus an average of 8 (eight) thousand gallons, until the customer has established their winter water usage.

**WATER**

**Summer Rates (May 1 - October 30)**

**Resident**

Base Rate (includes 8,000 gallons)	\$ 16.95
8,000 to 50,000 gallons	\$ 0.75 per 1,000 gallons
50,001 to 100,000 gallons	\$ 1.10 per 1,000 gallons
100,001 to 150,000 gallons	\$ 1.25 per 1,000 gallons
150,001 + gallons	\$ 1.50 per 1,000 gallons

All usage above 150,000 gallons will be billed at \$1.50 per 1,000 gallons.

**Winter Rates (October 31 - April 30)**

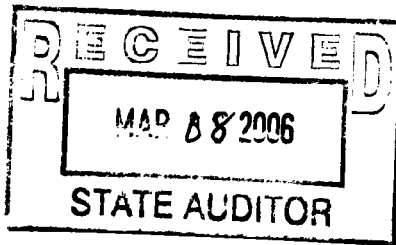
**Resident**

Base Rate (includes 10,000 gallons)	\$ 16.95
-------------------------------------	----------

All usage above 10,000 gallons will be billed at \$0.75 per 1,000 gallons.

**Non-Resident**

Water users outside the city limits shall be charged two times the rates charged to those customers living within the city boundaries.



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**SCANNED**

Date 3-9-06



Susan B. Farnsworth  
Recorder  
(801) 754-3211 ext. 17  
Mobile (801) 420-8001  
[sfarnsworth@santaquin.org](mailto:sfarnsworth@santaquin.org)

February 8, 2006

State of Utah  
Office of the State Auditor  
P.O. Box 142310  
Salt lake City, UT 84114-2310

To Whom It May Concern:

In response to your memorandum dated March 3, 2006, the corrective action plan to address areas of noncompliance for the 2005 Financial Report is as follows:

the Natural Gas Department has been sold and is not longer a division of Santaquin City therefore eliminating any negative fund balances; and

the General Fund Department will be monitored more closely as to the expenditures therefore keeping within the fund's budget.

Please contact my office if you have any questions, concerns or comments.

Sincerely,

Susan B. Farnsworth  
City Recorder

The Natural Gas Department has been sold and is not longer a division of Santaquin City therefore eliminating any negative fund balances; and

[www.santaquin.org](http://www.santaquin.org)

45 West 100 South · Santaquin, Utah. 84655 · (801) 754-3211 · Fax (801) 754-3526

Sincerely,